

**SECRET****OGC HAS REVIEWED.**MEMORANDUM

22 August 1949

TO: General Counsel

FROM: Chief, Confidential Funds Branch

SUBJ: Payment of Premiums or Cost of Surety Bonds

REF: "Authorization for Payment of Premiums or Costs of Surety Bonds" set forth in memorandum from the Budget Officer to the Executive, CIA, under date of 5 August 1949, approved by the DCI, under date of 9 August 1949.

1. Reference authorization is believed by the undersigned to require further clarification and perhaps amendment prior to effecting the payments which the undersigned assumes Congress and the DCI intended to authorize.
2. It is assumed that Congress and the DCI intended that the government pay the cost of surety bonds of certain CIA employees on and after an appropriate effective date. Unfortunately, surety bond premiums happen to be one of the few type of expense which are normally prepaid. Thus, all bonded individuals, as of the appropriate effective date of subject provision of Public Law 110, have prepaid an unexpired balance of their surety bond premium. The number of days such prepaid premiums represent at a given date is pure happenstance. One individual may have paid his premium the day before and have 364 days of prepaid premium. Another may have only one day's prepaid premium. Another may have prepaid his bond for two years.
3. Paragraph 3 of reference authorization (contrary to my interpretation of the law as quoted in paragraph 1) implies that bond premiums will be paid by CIA only as they become due. Such application of the law would result in obvious inequity between individuals and is an anomaly. The individual who prepaid his premium just prior to the effective date would be bearing the cost of his surety bond until the premium expired while the individual whose premium is due just after the effective date would be reimbursed in full. Yet, the surety bonds of each would concurrently be providing the government with identical protection.
4. The principle concerned here must not be confused with normal statutory prohibition against post facto authorization for payment of obligations incurred originally without proper authorization. The difference in the case of bond premiums previously paid by individuals as personal expense, is that the unexpired premium can freely be recovered by the individual at the time the authorization is granted.

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for government payment of premiums or costs, and a new bond simultaneously executed. The payment by the government of the new premium is obviously within the scope and intent of the law.

5. It would appear, therefore, that the authorization by the Director for the payment of premiums or costs of surety bonds should be amended in paragraph 3 to specifically authorize the reimbursement to individuals of the unexpired portion of their bond premium in lieu of cancellation and simultaneous renewal of existing surety bonds.

6. Such amendment would result in simultaneous assumption by CIA of the surety bond expense of all individuals so bonded.

7. A second question raised by this letter of authorization pertains to the effective date. It is assumed that 1 July 1949 is the earliest date at which the provision in the law could be applied. It is also understood that by order of the DCI application of Public Law 110 was suspended until the DCI approved each provision thereof. In this instance, his approval is dated 9 August, but the effective date is not stated. It is, therefore, suggested that the authorization be amended to reflect the desired effective date.

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Chief, Confidential Funds Branch

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CENTRAL INTELLIGENCE AGENCY  
 OFFICIAL ROUTING SLIP

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TO		INITIALS	DATE
1	<i>Gen. Counsel</i> <sup>226</sup> <i>Edm.</i>		
2			
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FROM		INITIALS	DATE
1	<i>C7B</i> <sup>1602</sup> <i>L</i>	<i>EW</i>	<i>22 Aug '49</i>
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<input type="checkbox"/> APPROVAL	<input type="checkbox"/> INFORMATION	<input type="checkbox"/> SIGNATURE
<input checked="" type="checkbox"/> ACTION	<input type="checkbox"/> DIRECT REPLY	<input type="checkbox"/> RETURN
<input type="checkbox"/> COMMENT	<input type="checkbox"/> PREPARATION OF REPLY	<input type="checkbox"/> DISPATCH
<input type="checkbox"/> CONCURRENCE	<input type="checkbox"/> RECOMMENDATION	<input type="checkbox"/> FILE

REMARKS: After our discussion. For illustrative purposes I have attached a schedule of known bonded individuals. Note for example that Mangeng paid his premium a month or more before law passed & the [redacted] must very shortly renew his bond. I feel that Mangeng should be authorized to take out a new bond and cancel his old one or should himself be paid the unexpired bond premium.

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